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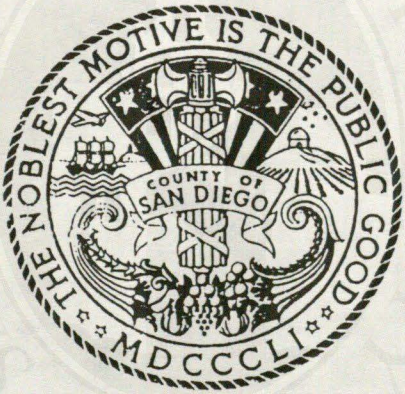
MEASURING PERFORMANCE

A GUIDE TO UNDERSTANDING AND USING PERFORMANCE-BASED REPORTING IN THE COUNTY OF SAN DIEGO



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PERFORMANCE IS:

QUALITY,

EFFICIENCY,

EFFECTIVENESS

INTRODUCTION

There is now a strong consensus among users of governmental financial information, among the current Federal Administration, and Congress, and among governmental accounting authorities, that to fully assess accountability for public resources, the accomplishments, the efficiency and the effectiveness of what was produced by the consuming programs must be reported; and that those elements are essential for making informed decisions.

On January 11, 1994, the Board of Supervisors of the County of San Diego specifically directed outcome-based performance reporting for all County departments.

To clarify for everyone concerned, what the policy, terminology and processes are for performance reporting, the Audits Division of the CFO/A&C has prepared this handbook. Its purpose is to provide County departments with an authoritative resource for communicating a common set of definitions, concepts and terminology with regard to performance reporting.

In addition, this handbook presents the Performance Reporting Model, along with explanations, examples, definitions and suggestions for any department participating in Performance Reporting. The model is derived from a Governmental Accounting Standards Board (GASB) proposal and represents an accurate discussion of what GASB has advanced in its 1994 Concepts Statement.

The process of working with Performance Reporting: thinking about production goals and final results, defining, designing and refining your performance measures, should help you to focus more clearly on your program goals. It will likely give you a new awareness of the strengths and weaknesses of your programs activities, resources and data collection efforts.

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BACKGROUND

Counties, in addition to the rest of government, now and in the past have reported their activities at the end of every fiscal year in a form known as traditional financial statements. For counties, those statements are formally known as General Purpose External Financial Reports (GPEFR). Their "Mission" is to provide interested users with information relative to evaluating financial stewardship.

Traditional financial reporting has always been about communicating activities in terms of revenues and expenditures. The statements focus on how much provided services cost. They were not intended to communicate information about performance per se: what citizen/taxpayers received for the resources that were used, or how economically, effectively or efficiently those resources were used.

Performance reporting, on the other hand, is significantly different than traditional financial reporting in that its "Mission Statement" is to report the Outcomes of activities and the efficiency and effectiveness with which the service was provided. Compared to traditional reporting, this is an entirely different emphasis. They each collect different data and they each have different goals. Their "Mission Statements" are based on entirely different desired results.

Governmental accounting authorities in general have been getting closer to requiring performance reporting. In 1993, Congress convened hearings on legislation to require performance reporting for federal agencies. That same year, Congress passed the Government Results and Performance Act which mandates the creation and support of Inspectors General and Chief Financial Officers for selected federal agencies. National Associations, such as the Governmental Accounting Standards Board, the National Academy of Public Administration, the American Society for Public Administration, the Governmental Finance Officers Association and the National Task Force on State and Local Budgeting have all passed resolutions and published their positions calling for the public sector to use performance measurement and reporting systems. The Gore Commission for Reinventing Government has adopted performance reporting as part of the solution for instituting positive change in the federal government. Even private industry is now looking at performance reporting as a means to augment their traditional financial reports and provide investors with information about achievements made that are not immediately dollar quantifiable.

The Governmental Accounting Standards Board (GASB) determines what accounting and reporting factors can be used by local governments in this country. They are currently in the process of deciding what specific performance reporting to require. As of now, there are no precise requirements for the reporting of a government's performance.

So far, GASB has acknowledged a set of Definitions and Concepts known as Service Efforts and Accomplishments (SEA) Reporting to be the basis of future performance reporting standards. The SEA format is presented in the GASB Concepts Statement #2. It proposes that local governments report on their service efforts and accomplishments by reporting Inputs, Outputs, Outcomes and Comparative Measures.

WHAT IS PERFORMANCE REPORTING?

Performance reporting refers to the planned and formal process of setting organizational and production-oriented goals, tracking actual accomplishments for each of those and reporting the planned and actual results for the fiscal year in both a quantitative and narrative format. Performance is assessed by means of output, outcome and comparative measures.

These measures of performance are applied to relevant and significant aspects of program operations: volume of services or products produced, resources consumed per unit volume produced and, significantly, the final result of having produced the volume of services or products. These are aspects of interest to various individuals - key persons from both inside and outside the program who have a strong interest in its management and performance. Performance Measures provide comparable assessments of the Inputs, Outputs and Outcomes of a given policy. They can be applied to both the intermediate performance of a policy (e.g., increased employability as a result of training) and the final performance of a policy (e.g., reduction in unemployment rates).

A distinction should be made between **performance measures**, which can be compared to reading information off a dial, and the less precise **performance indicator**, which can be compared to the information provided by an alarm bell. We will not be using the term "indicator," however, in order to conform to the terminology of GASB. Throughout this manual, the term "Performance Measure" should be understood to refer to both measures and indicators.

Performance measures can be used to provide information about the use of funds, persons served, or program outcomes to the general public. They can provide *some* of the information necessary to make policy decisions. They can aid in comparing current to prior performance, or in comparing actual results with targeted performance levels. Performance measurement can also help to improve operational credibility and assist in securing the resources necessary to maintain and enhance programs. They should be used for self-assessment and improvement. They should focus on how to improve a given program and not to dwell on individual job performance.

A performance measurement program will not *in itself* produce higher levels of effectiveness, efficiency and quality. Those are achieved through decisions to modify work methods, resources or task priorities. Performance measurement can provide *some* of the data necessary to redirect resources. This kind of data should augment professional judgment and experience in the decision-making process; not replace them. Managers make decisions on the basis of the best information available and a performance reporting system can improve the quantity and quality of information available.

PERFORMANCE MEASUREMENT HAS SOME IMPORTANT UNDERLYING PRECEPTS.

Resources should be allocated *based on results*. Governments (and voters too), should fund Outcomes and not Inputs.

Efficiency is a priority but *effectiveness is precedent*.

You can only be effective if you're doing something that needs to be done.

What gets measured and reported gets done.

If you can't recognize failure, you can't correct it.

If you can't recognize success, you can't reward it.

The people who work in government are not the problem; the systems in which they work are the problem.

A perfectly executed process is a waste of time if it fails to achieve the desired Outcome.

It is easily possible to generate an impressive amount of Outputs without generating any positive Outcomes.

Only those services, products and results that are essential to provide a basis for assessing accomplishments, or that have potentially significant decision-making or accountability implications should be measured.

KEY SEA TERMS

SEA:	Service Efforts and Accomplishments.
Performance:	The way in which something functions with regard to efficiency, effectiveness and quality.
Efforts:	Those financial and nonfinancial resources consumed in order to produce a product or service, (i.e., inputs).
Accomplishments:	The results of those efforts in terms of Outputs and Outcomes.
Comparatives:	Ratios that relate efforts to accomplishments. There are two types: Efficiency and Effectiveness.
Efficiency Measure:	Resources used per Unit of Output.
Efficiency Goal:	Resources used per Unit of Output expressed as a goal statement.
Effectiveness Measure:	Resources used per Unit of Outcome.
Effectiveness Goal:	Resources used per Unit of Outcome expressed as a goal statement.
Output Measure:	A quantity of Service or Product that is produced by a department, division, or program during a given period of time; workload activities, tasks, specific duties or services performed, production.
Output Goal:	A quantity of Service or Product expressed as a goal statement.
Outcome Measure:	The result or effect of having produced the Outputs, the intended result of the Outputs or the final result of efforts.
Outcome Goal:	The intended result(s) of the Outputs expressed as a goal statement.
Measure:	The dimensions, quantity or capacity of anything as ascertained by measuring. A reference standard for the quantitative comparison of properties.
Surrogate Measure:	A Measure (e.g., fire losses) that is in some way related to the desired Outcome (e.g., no fires) which is substituted for a principal Measure (e.g., fire prevention) due to the impossibility or impracticality of measuring it (fire prevention).

12 STEPS TO PERFORMANCE REPORTING*

1. Prepare Your Mission Statement
2. Identify Your Output goals
3. Identify Your Inputs
4. Determine Your Efficiency Goals
5. Determine Your Outcome goals
6. Determine Data Collection Methods for Your Outcome Goals
7. Assemble Your Performance Program Into a Formal Document
8. Track Your Performance
9. Determine Your Outcome Effectiveness
10. Report Your Actual and Planned Performance
11. Analyze Your Performance
12. Make Adjustments to Resources, Work Methods or Task Priorities

***For each of these steps, the time period implied is always the fiscal year.**

Step 1: Prepare Your Mission Statement

A Mission Statement for a Performance Reporting Program is not different from one written for other purposes:

To Perform	To Provide	To Reduce	To Administer
To Review	To Ensure	To Protect	To Preserve
To Implement	To Assist	To Educate	To Improve
To Monitor	To Maintain	To Promote	To Enforce
To Prepare	To Operate	To Recover	To Assist
To Coordinate	To Control	To Create	To Increase
To Process	To Produce	To Manage	To Investigate

Except, that it needs to be ***well written***! You can't measure the performance of your department, division or program if you don't know what it is supposed to accomplish. A Mission Statement is a strong statement of purpose. It should be a *thoughtful* declaration of the reason for the existence of your department, program, etc. It should not simply be a statement of the government or other code that bestowed statutory existence. It should not contain number values. It should be a broad statement of major and, possibly, minor activities. It should be an assertive statement of broad intention incorporating a description of the service(s) or program(s) provided, the intent of the service(s) or program(s), the method or means by which the service(s) or program(s) will be accomplished. It may also include quality attributes for the service(s) or program(s), or their planned results.

A well written Mission Statement is the keystone to a performance reporting program. All subsequent elements of the program proceed from the Mission Statement. For example, the Output and Outcome measures that you will construct later in the program will support the Mission Statement. If your Mission Statement is not well thought out and written, you may have difficulty in determining planned Outcomes that clearly support the Mission Statement. Having a well written statement will help you to derive those measures later on.

Here is an example of a well written Mission Statement for a Department of Planning and Zoning:

> "To protect the character and stability of Sample County through both short-term and long-range planning activities pursuant to state laws and active enforcement of the County's adopted land use regulations."

This Mission Statement lends itself to subsequent SEA statements since the general activities cited in the Mission Statement can be listed in detail in the Outputs section of the SEA document. From those, matching Outcome statements can be described that would be the intended results of those Outputs. *A fully considered, well written Mission Statement is the foundation for establishing an SEA reporting program.*

STEP 2: IDENTIFY YOUR OUTPUT GOALS

Every County department, division or program has distinct activities, tasks or services they perform or things they produce or make. In determining your Outputs, follow your Mission Statement. What do you produce that supports the Mission Statement? What kind of production is intended during the fiscal year? Services to the public or to other departments or divisions? Products such as assistance payments, tax bills, warrants or certified documents? Your services and/or products are your Outputs and they need to be identified at this step and quantified. Previously, you were reporting your Outputs as Workload Indicators. Continue to use them, but think of them instead as Outputs.

To understand what your Outputs will be, think:

What SERVICES or PRODUCTS do you intend to produce during the fiscal year?

THOSE services or products, *expressed as quantities*, ARE your Outputs.

OUTPUTS express the QUANTITY of SERVICES or PRODUCTS generated by your efforts.

A quantity of Output expressed as a GOAL STATEMENT is an OUTPUT GOAL.

Outputs are *process measures*, that is, they express the amount of something produced by a government process during a period of time (i.e., a fiscal year).

To derive them, start by identifying your major activities. Place them in a column on the left as in example "A" below. Then in a separate column to the right express them as quantities.

EXAMPLE A

Major Activity	Unit of Output
Answer fire calls	The number of fire calls answered
Process and admit patients	The number of hospital admissions
Provide public transit	The number of revenue miles delivered

Provide public transit	The number of passengers carried per transit mile
Hire and train police	The number of police officers
Provide police patrols	The number of hours of patrol
Investigate crimes	The number of crimes investigated

Once you have come up with a unit of Output, the next step is to determine the quantities of Outputs that you expect to produce during the fiscal year. One time honored method for coming up with the right number is to take last year's number and adjust it up or down, depending on your expectations, and viola! you have your current fiscal year's *Output Goals*. For a sample County these might be:

	Sample Fiscal Year Output Goal
The number of fire calls answered	7,025
The number of hospital admissions	49,500
The number of revenue miles delivered	367,000
The number of passengers carried per transit mile	116
The number of police officers	2,300
The number of hours of patrol	6,132,000
The number of crimes investigated	4,400
The number of firemen on call	150
The number of parking tickets issued	122,000
The number of transit buses on 14 hour service	47
The number of arrests	17,220

STEP 3: IDENTIFY YOUR INPUTS

Coming up with your inputs should be the easiest part of assembling your SEA program. For the most part, these numbers are already available in the Program Budget as Total Direct Costs.

To understand what your INPUTS are, think:

What financial, nonfinancial and donated resources are used by your department, division or program in order to conduct your business, that is, what:

Materials	- Supplies
Personnel	- Salaries - Benefits
Equipment	- Vehicles - Communication Equipment - Fixed Assets
Funds	- Services - Contracts - Other costs
Donations	- Volunteers

THESE ARE YOUR INPUTS

They are the amount of material, equipment, personnel and funds that are expended in order to produce the *RESULTS*.

STEP 4: DETERMINE YOUR EFFICIENCY GOALS

As one of two Comparative measures used within the SEA Reporting Format, the term: Efficiency, in this context refers to a numerical ratio of INPUTS to OUTPUTS. Literally, the second classical definition of efficiency is, "to exhibit a high ratio of Outputs to Inputs." This is essentially the SEA definition except that since we want the quotient to express a Cost instead of an Output, we will divide the Inputs by the Outputs.

An EFFICIENCY measure equates Inputs to Outputs

Where Inputs are either *money or time* and Outputs are either *products or services*. An Efficiency measure gives information about the production of an Output at a given level of resource use in two ways: in terms of cost and in terms of staff time. When you report EFFICIENCY, you are reporting how much each unit of Output costs in terms of a resource; money or time.

Efficiency = $ cost per unit of Output or,
Efficiency = staff hours per unit of Output

While it will probably be very useful for department management to collect data on both dollar and time costs for its own internal use, there is no requirement to report both these measures to the Board. One will suffice. If you choose to report only one, report the one that is the *most* meaningful within the context of your department's activity and the one that has the *most* relevance to your Mission Statement.

Remember that reporting efficiency in terms of staff-hours per Output is really a report on staff productivity and decisions to do so should be carefully considered.

Examples of Efficiency measures for a sample County:

Fire department capital and operating expenditures per capita

Fire department capital and operating expenditures per $100,000 of property protected

Total cost per inpatient day

Total cost per transit passenger

Operating cost per transit mile

Fare box recovery of operating cost

Cost per felony crime investigated

Personnel hours per felony crime cleared

Notice that efficiency measures can be applied to virtually any aspect of an activity. However, not everything that can be measured in terms of money or time is important. When considering which aspects to measure, decide which are the *most* important to your management of the activity and which are the *most* informative and useful to the Board and the Public.

Ideally, your SEA program should provide the most detail to Program Managers, moderate detail to Department Heads, exception reporting to the CAO, a broad level of reporting to Elected Officials, and the broadest reporting to the general public. A performance program capable of adequately reporting to each of those levels will be difficult to design and difficult to manage. So, initially, primary emphasis should be given to satisfying the needs of the Division or Program Manager, because they are the ones who make frequent decisions on the controlling and directing of the resources.

As a final caution, don't put too much emphasis on Efficiency measures because it is relatively more important for government to ask effectiveness related questions, like: *why are we doing this?*, than is to ask how much is it costing.

For any information reported in the SEA format, *the benefits* of reporting a given measure *should be weighed against the costs* of gathering, verifying and reporting the data.

Because of that, and because of the varied needs of the different reporting levels, you should aim to establish the fewest measures - in any category - that are necessary to present a reasonable picture of how well your department, division, program or function is operating.

STEP 5: DETERMINE YOUR OUTCOME GOALS

Outcome goals are statements of the intended or expected results of the Outputs. They are statements about what the Outputs are intended to accomplish. Outcomes will be the RESULT of having provided the service or product Outputs.

To understand what your Outcomes are going to be, think:

What RESULTS are the services or products you produce intended or expected to accomplish?

Examples for a sample County are as follows:

Output	Outcome
Units of Service/Product:	Goals Based on Desired Result of the Service/Product:
Lane-miles of city streets maintained	The percent of city streets rated fair to good
Number of firemen on 24-hour call	Total fire related deaths
Number of hospital admissions	Patient hospital-acquired infection rates
Number of emergency room admissions	Surgeries per 100 emergency room admissions
Number of public transit buses on 12-hour duty	The percent of population served by public transportation
Number of public transit buses per route	The frequency of transit service
Number of police officers on patrol	Median police response time to a call

It may not be possible or practical to measure the most important Outcomes for some programs and you will have to use a Surrogate Measure. For example, the primary goal of a fire department may be *fire prevention* but it is not possible to measure *prevention* per se. Instead, as a surrogate measure, fire losses, or the spread of fires after the arrival of firemen could be measured.

OUTCOME GOAL STATEMENTS are definite. When forming them, use EXPLICIT **QUALITY** or **VALUE** attributes such as:

Response time
Customer/User satisfaction
Accuracy
Dependability
Target dates
Time periods
Quantities, or
Percentages

When you're considering these to use, you should use those quality attributes that are the *most relevant* to the Mission Statement.

OUTCOME GOALS (for a sample County) should sound like:

- Pay all invoices within 7 days
- Reduce coding errors by 75%
- Establish a LAN with 15 workstations by 9/5/96
- Increase revenue from recycled products to $10,000
- Reduce the number of drive by shootings resulting in injury or death by 95%
- Meet 100% of operating requirements and prohibitions at all landfill sites
- Maintain real property tax collection rate at 99%

These goals are stated in a way that presents the Outcome as a target. They are the intended result of providing the Outputs and by phrasing them as a goal statement; they should help your people keep on track.

It should be noted that, in some cases, an Output can be converted into an Outcome simply by adding a QUALITY ATTRIBUTE. Examples for a sample County could be:

Output: Repair 1,200 lane-miles of city streets

Outcome: Repair 1,200 lane-miles of city streets *to excellent condition*

Also, all your measures, particularly your Outcomes, should meet the following criteria in order to be VALID PERFORMANCE MEASURES:

- Specific — Is the measure well thought out? Is it as precise as possible?
- Relevant — Does the measure add important information to the decision-making process from a manager's perspective? From the CAO's perspective? From the Board's perspective? Your measures should also be those that are the *most relevant* to your Mission Statement.
- Understandable — Can a reasonable person understand your measure and what you are trying to accomplish?
- Comparable — Can the measure be used to compare performance with past or future periods? To industry norms or standards? To another similar organization?
- Timely — Can the Measure be accomplished within the Fiscal Year?
- Achievable — Realistically, can the measure be achieved? Or is it wishful thinking?
- Consistent — Can the measure be used and reported consistently over time to allow comparisons? It should be. (Measures should, however, be reviewed periodically to address changing circumstances.)
- Reliable — Does the Measure represent what it purports to represent? Is the data collection system free from bias?

- **Measurable** — Avoid blue sky statements. The Measure must be measurable or it cannot be used. It must be verifiable. You have to be able to substantiate it.

- **Realistic** — Is your Measure unrealistic? Does it require unlikely prerequisite conditions before it can occur?

- **Benefits > Cost** — Do the anticipated benefits of your proposed measure outweigh the costs of gathering, verifying and reporting the resulting data?

These criteria should be applied to each of your proposed performance measures, i.e., Outputs, Outcomes and Comparatives, so that you can determine first if they are valid.

The most important criteria to an auditor will be:

First, **Measurability;**

Second, **Reliability**; and

Third, **Consistency**.

You don't want to wait until the end of the reporting period to have an auditor declare it "not measurable" and dismiss it!

STEP 6: DETERMINE DATA COLLECTION METHODS FOR YOUR OUTCOME GOALS

The phrase "Data Collection Methods" refers to the procedures, the systems, the reporting mechanisms you are going to set up to enable you to monitor what progress is made toward the accomplishment of your Outcome Goals.

Each Outcome Goal is going to require a Data Collection Method. It is likely that current data collection mechanisms won't suffice since they were devised to capture data relevant to traditional financial reporting.

To quickly estimate what kind of system you will need to support any given Outcome statement, match each one with statements that describe the data that would need to be collected.

For Example:

If an Outcome goal for a sample building department is to:

> "Complete 90% of requested final inspections within 24 hours"

Then, they would have to collect data on:

1. The number of final inspections performed, and

2. The number performed within 24 hours of the request

Which, if they're not already collecting this information, may mean they may have to select and designate a staff person to time stamp and document the requests for final inspections and figure out a way to time stamp and document when the inspection is actually done.

If the Outcome goal for a sample sheriff's department is to:

> "Perform a user satisfaction survey for 15% of the total calls that have resulted in an officer being dispatched for assistance"

Then they would have to collect data on:

1. The number of dispatches for law enforcement assistance, and

2. The number of surveys mailed

Since the sheriff (in this hypothetical example) probably already records the number of dispatches, they may only have to devise a survey form and a system for sending and receiving them. Selecting and designating staff to control and summarize the results of the survey forms would be the other new work tasks created to support the Outcome goal.

If the Outcome goal for a sample Human Resources department is to:

"Interview candidates for management level positions within two months of hire authorization"

Then they would have to collect data on:

1. Hire authorization date, and

2. The number interviewed within two months

Chances are the Human Resources Department (in this hypothetical example) is already collecting this information. It is likely that it would only have to be gathered and summarized in order to support the Outcome goal. In this case, a new Outcome goal will require a minimum of new work tasks.

If the Outcome Goal for a sample Purchasing Department is to:

"Reduce the processing time for issuance of a purchase order to three days."

Then they would have to collect data on:

1. Date and time of receipt of department's requisitions, and

2. Date and time of issuance of the related purchase orders.

This is another Outcome goal that can likely be supported with existing data. If a department is careful in considering its desired Outcome goals, it should be possible to support new Outcome goals utilizing existing data and create a minimum of new work tasks.

STEP 7: ASSEMBLE YOUR PERFORMANCE PROGRAM INTO A FORMAL DOCUMENT

For all the work completed so far, place it in the standard format as directed by the County of San Diego's Budget Office.

As an example of how the elements of the first category of an SEA program can be portrayed, below is an illustration for a County Tax Collector. Under the section "Departmental Output Goals," the Outputs listed are those that are typically produced by a County Tax Collector. The Outcome, Efficiency and Effectiveness goals listed below were contrived in order to show what kind of goals might be established by a Tax Collector with a strong departmental cost accounting system. (This is a hypothetical example.)

DEPARTMENT: TAX COLLECTOR, SAMPLE COUNTY

DEPARTMENT MISSION STATEMENT:

Collect all county real, personal property, and other taxes, fees and charges in an efficient and timely manner in accordance with state and local laws.

DEPARTMENT OUTPUT GOALS:

Mail 1,650,000 real property tax bills

Mail 480,000 personal property tax bills

Mail 36,200 supplemental property tax bills

Mail 43,000 tax refunds

Mail 73,000 Business Certificates

Issue 1,700 Business Certificate refunds

Assess 80,000 penalties on delinquent taxes

Provide research and advice to over 1,700 taxpayer phone inquiries per day

DEPARTMENT: TAX COLLECTOR, SAMPLE COUNTY

DEPARTMENT OUTCOME GOALS:

Receive in excess of $1.2 billion in real property tax

Maintain real property tax collection rate at 99%

Receive in excess of $65 million in personal property tax

Maintain personal property tax collection rates at 97%

Receive in excess of $475,000,000 delinquent taxes

Receive in excess of 700,000 penalties on delinquent real and personal property tax

Achieve a 87% taxpayer service satisfaction rate for both real and personal property taxpayers

DEPARTMENT EFFICIENCY MEASURES: COST PER OUTPUT GOALS

Maintain a cost per tax bill issued at $11.50

Maintain a cost per supplemental tax bill issued at $11.50

Maintain a cost per Business Certificate issued at $6.50

Maintain a cost per tax refund issued at $10.00

Maintain a ratio of 1 staff hour to every 27 taxpayer assistance calls

DEPARTMENT EFFECTIVENESS MEASURES: COST PER OUTCOME GOALS

Maintain a cost per real property tax bill collected at $9.00

Maintain a cost per personal property tax bill collected at $7.00

Maintain a cost per penalty collected at $15.50

Maintain a cost per Business Certificate refund at $4.50

The Tax Collector hypothetical example above, represents the first phase of the SEA program the budget phase - what was planned and expected

Measuring and reporting a department's performance should provide an answer to the question, "How are we doing" in varying levels of detail to different levels of management. With regard to each of your performance measures, your SEA program should present:

1. what was planned/expected,

2. what actually occurred, and

3. it should explain the difference.

Because of the varying detail and different reporting levels, you should aim to establish the fewest measures - in any category - that are necessary to present a reasonable picture of how well your department, division, section or program is operating.

But beware that a single composite measure may not adequately portray performance and you may have to use several, perhaps widely disparate, measures in order to, "... present a reasonable picture...." You will eventually find a balance between reporting too many and reporting too few measures.

Remember, the *mission* of SEA information is to help the reader more clearly understand the level and composition of the resources used, what was accomplished with those resources and how efficient and effective the process was. *What measures are considered important enough to track and report are up to management.*

STEP 8: TRACK YOUR PERFORMANCE

This step is fairly self-explanatory. It refers to documenting the results of actual performance during the fiscal year. It is, at a minimum, a quarterly tabulation of the actual results for your Outputs, Outcomes and Comparative measures. This step presumes that the data collection systems needed to support the performance measures have been determined and implemented.

Tracking performance may consist of simply accumulating and reviewing existing computer generated reports that chronicle performance data for the month. It may require designing new computer reports to capture and present the data in the most usable format. Or, it may consist of a formalized, manual compilation of performance data relative to a given measure. Whatever methods are used, tracking performance refers to the documentation and review of the *actual results* for your chosen Output, Outcome and Comparative measures.

STEP 9: DETERMINE YOUR OUTCOME EFFECTIVENESS

Dollars ($) per Outcome

Time (T) per Outcome

At this point, the measurement period is over. Expenditures have been made and results have occurred and been tallied. This comparative measure, Outcome Effectiveness, is intended to relate cost to results for the purpose of assessing the dollar or time value of the Result (Outcome) and comparing that value to past or future periods.

An EFFECTIVENESS measure equates Efforts to Outcomes. It reports the cost per unit of Outcome, where COST is an historical value (as opposed to a projected future cost as in a proposed budget). It requires an established and reliable cost accounting system.

When you report an Effectiveness Measure you are reporting on *how well* an activity achieved a desired Outcome with regard to time, funds and materials. Whether the investment of staff time, funds and materials in the activity was worthwhile. The results may generate the question, "*why are we doing this*?"

Remember, Outcomes are the intended results of having produced the Outputs. They are the final result of the efforts (inputs). Like accomplishing a 95% decrease in drive-by shootings, or achieving a given skill level in reading, or achieving a certain quality level of service.

While you are probably thinking that Effectiveness means "the degree to which something has the intended or expected effect" it does, but in the SEA context, Effectiveness primarily refers to a number: *resource cost per unit of Outcome*. That number will then express how well the Output(s) achieved the desired result.

And that is because, as a numerical value, an Effectiveness Measure will express either the presence or absence of wasted time, energy or material and it will reflect indirectly on the demonstration of management or technical expertise.

Determining Outcome Effectiveness means calculating first a COST per Outcome and then, secondly, interpreting the value as to the degree to which the Output(s) have had the intended/expected effect/result.

Cost-Outcome Measures Sound Like the Following Hypothetical Examples:

Cost per crime cleared by indictment

Cost to achieve a 15 minute emergency response time

Cost to achieve a 75% customer satisfaction rate

Cost to install an office LAN by 12/31/96

Cost to pay all invoices within 7 days

Cost to achieve a zero incidence of drug sales activity in district schools

Cost to achieve a zero incidence of underage liquor sales within the city

Cost to achieve a zero incidence of prostitution within the city

Cost to complete all traffic studies within 4 days

Cost to have 90% of all street signs in place by 6/30/95

Cost to have at least 96% of user departments rate budgetary information as timely and accurate

Cost per final or intended result!

When you are constructing your SEA program, you should use exactly the same Outcomes in calculating your Effectiveness Measures as you did for your stated Outcome Measures (goals). One major challenge in managing by the results of comparative measures will be that a given program may be effective in achieving a given Outcome, but it may not be efficient and have a high cost per unit (service or product) delivered (and visa versa).

STEP 10: REPORT YOUR ACTUAL AND PLANNED PERFORMANCE

Performance data will be reported to the County Budget Office who will prepare the data for formal public release. Since their procedures may change, detailed instructions will not be given here, but will be issued each fiscal year and included with the annual Budget Instructions to the Departments.

SEA Reporting Hierarchy

The Public	Broadest Level of Reporting
Elected Officials	Broad Level of Reporting
CAO	Exception Reporting
County Budget Office	Moderate Detail
Department Heads	Moderate Detail
Division/Program Managers	The Most Detail

SEA information will not, by itself, explain *WHY* performance is at the level reported or the degree to which unexpected, uncontrollable or tangential factors contributed to the performance reported. Many factors can affect performance. There is often no clear cause-and-effect relationship between the service or product provided and the resulting Outcome. There may be numerous factors, completely or partially beyond your control, that have a significant effect on results. These factors, when identified, should be reported as additional explanatory information with the performance data together with an explanation of their possible effect. Explanatory information includes both quantitative comparisons and narrative information. Examples of information areas that could be included if they affected reported results would be:

Floods or Storm Damage	New Legislation	Hiring Freezes
Budget Cuts	Strategies	Earthquakes
Methods and Processes Used	Labor Relations Issues	Hidden Influences

You should include anything that will help the reader understand why performance is at the level reported. Remember, the Mission Statement of SEA reporting is to provide more complete information about performance and anything that will help the reader to fully understand the relationship between an Outcome and that many factors affecting that Outcome should be disclosed.

For example, the reading level of fourth-grade students may be affected not only by the schools methods of teaching reading, but also by such factors as the amount of time the students have spent reading or that parents have spent reading with them.

If you believe something affects reported performance, say so! Narrative information provided with your reported performance data should provide explanations of what the level of performance reported by the measure means, the possible effects that explanatory factors might have had on performance and actions that have been (or are being) taken to change reported performance for the future.

If surrogate measures are used, an explanation of what would be considered an ideal measure and why it was not used, combined with an explanation of how to interpret the surrogate measure should be provided.

STEP 11: ANALYZE YOUR PERFORMANCE

This step is not really a step in the development or implementation of an SEA program. It is the first step, however, of deriving some benefit from the Program; of making the data collected useful in problem solving or for making other improvements. When you compare actual results to goals, ask "what does the comparison tell you?" Are we OK or not OK? If not, why not? There may be a need for conducting an analysis of the results using problem evaluation and analysis tools.

As said earlier, better performance won't be the result of having an SEA program. It will be the result of analyzing your performance and making decisions to modify resources, work methods, or task priorities.

Step 12: Make adjustments to resources, work methods or task priorities

A valid performance measure will demonstrate its relevancy by whether or not the decision-maker needs to react to the results of the measure. If a given measure shows that actual performance is below the desired goal, but no action is taken by management, you should question why the measure is even being used. Is it even worth collecting? Remember, if you measure it, use it. Do something with it!

If there are problems suggested by the results, you need to identify and verify them. If they are valid problems you should derive solutions to them.

FOUR STEPS TO MAKING ADJUSTMENTS

Preferred Solutions

1st: Determine what solutions will work, which make the most sense and which ones are preferred.

Best Implementation

2nd: Determine the best implementation strategy for the solutions.

Determine the Data Collection Methods

3rd: Determine what data collection methods to use that will tell you whether the solution is working over time.

Monitor the Results of the Solution

4th: Implement the preferred solution and monitor the results in order to determine whether the solution is working.

In Closing:

SEA Reporting represents a significant modification to financial reporting practices for County government. In the future, GASB intends to issue a statement concerning SEA Reporting Standards - once they have determined what standards to require. Standards and specific measures are two different matters and GASB will not itself determine which specific SEA measures should be developed and reported by the County. That process should be a progressive endeavor that receives the consideration of not only accountants and financial managers, but also program and budget personnel, performance evaluators, auditors, elected officials and private citizens. Each of these groups can contribute a perspective of what is important and what should be reported.

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